The Economists of Tomorrow

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Abstract

This paper is the outcome of a broad consultation on teaching in economics, organised by the UK-based Association for Heterodox Economists (AHE). It argues that a pluralist subject benchmark, derived from a pluralist code of conduct, is a prerequisite for the reform of the profession. Critical, pluralistic and independent thinking should be the primary requirement good economic practice, and pecific provisions should be made to recognise, promote, defend and guarantee this good practice in teaching and assessment alike.

This is needed because of what Colander et al (2008) term the "systemic failure" of economics –the profession's inability, taken as a whole, to anticipate and understand the financial crash and recession of 2008.

This exposes a deep-seated weakness in economics: systemic failure requires a systemic solution. The paper explains how the built-in tendency of the economic profession to select for conformity has led to its regulatory capture. Existing UK benchmarks have substituted peer-*ranking* – the appointment of judges selected for comformity – for collaborative peer *review* – the pluralistic integration of the strengths of the academic community.

This past practice has become institutionalised at every level. The profoundly non-scientific practice of simply reproducing a politically acceptable consensus has thereby replaced the independent and critical pursuit of knowledge as the primary peer-recognised hallmark of quality. Tomorrow's economists need to be defended against the systemic failure of the economics of today. This requires a conscious regulatory intervention – benchmarking for pluralism.

The economists of tomorrow

Alan Freeman*

Introduction

This paper outlines a code of conduct for economics, in the form of a pluralist benchmark for Quality Assurance in economics education. This is a necessary corrective to the publicly-recognised failure of economics in the face of the 2008 crisis, which Colander et al (2009 term its "systemic failure". Pluralism affords two decisive benefits: it produces good economics and better economists. The failure to adopt it is the cause of systemic failure. This paper explains why.

Benchmarking was adopted in the UK as a governance mechanism for self-regulation in higher education. Self-regulation, however, is not a carte blanche for specialists to do what they will: it defines a relation of trust. The public entrusts academics to maintain standards codified as "benchmarks", which are verified by quality assessment procedures.

In any self-regulated system, the public has rights. It must be protected against malpractice or incompetence. If buildings fell down, or healthy patients died, the public would expect the medical and architectural professions to put this right. An axiom of quality assurance is that governance must lead to the outcome desired. Benchmarks do not simply express what a profession thinks of itself: they are required to maintain the quality of its output.

If we accept that the crisis has exposed a aystemic failure, the basis for trust must be questioned. Pluralism in economics is, I will argue, the requisite response. Only systemic measures, to withstand the pressures that led to the collective failures of the past, can help tomorrow's economists to avoid repeating them.

The systemic failure of economics

How has the economics of the last thirty years performed, faced with economic events? Judged by the standards of UK assessment mechanisms – peer opinion – it has, baldly put, failed. Unprecedented criticism ranges across the spectrum, from Stiglitz and Krugman to the explicitly pro-market but highly critical Buiter (2009). Colander et al (2009) summarise the critical consensus as follows:

> [S]elf-reinforcing feedback effects within the profession may have led to the dominance of a paradigm that has no solid methodological basis and whose empirical performance is, to say the least, modest … the current academic agenda has largely crowded out research on the inherent causes of financial crises. There has also been little exploration of early indicators of system crisis and potential ways to prevent this malady from developing. In fact, if one browses through the academic macroeconomics and finance literature, "systemic crisis" appears like an otherworldly event that is absent from economic models. Most models, by design, offer no immediate handle on how to think about or deal with this recurring phenomenon. In our hour of greatest need, societies around the world are left to grope in the dark without a theory. That, to us, is a *systemic failure of the economics profession*. [emphasis in original – AF]

This view is not an isolated one. As Alan Greenspan, hardly an unrepresentative or habitually critical figure, concluded early in 2008 that:

* This paper is an outcome of a consultation undertaken on behalf of the Association for Heterodox Economics (AHE) by Alan Freeman, the AHE's coordinator. However, the final outcome is his own, and he takes sole responsibility for them.

> In recent decades, a vast risk management and pricing system has evolved … A Nobel Prize was awarded for the discovery of the pricing model that underpins much of the advance in derivatives markets. This modern risk management paradigm held sway for decades. The whole intellectual edifice, however, collapsed in the summer of last year. [1]

This negative judgement of its peers extends to external judgements. Respected economic journalists who have voiced extensive criticism include Mason (2009), Tett (2009), and staunch market evangelists such as Martin Wolff (2008). The public itself, from all appearances, inclines to the blunt assessment of Simon Jenkins, (Guardian July 9th 2008):

> as the nation approaches recession, an entire profession seems to have vanished over the horizon, like conmen stuffed with cash, and thousands left destitute behind. They said recessions were over. They told politicians to leave things to them and all would be fine. Yet they failed to spot the sub-prime housing crash, and now look at the mess.

Among both peers and informed consumers of economics, economics has failed its public. It did not see the crash coming: its award-winning theories sanctified the practices at the heart of it; and it did little to prevent them or warn against them, and it has yet to offer a theoretical framework for their solution.

The institutional origin of systemic failure

What is the origin of systemic failure? It arises from institutional practice. The fault line of this practice is the way economics functions. I will show that academic economics, at least, functions to prioritise *conformity* over all other criteria.

A succinct illustration arose when the Queen of England, on 6th November 2008, ceremonially opened a new building for the London School of Economics.[2] She asked the reasonable question: "Why did nobody see it [the crash] coming?" The response was illuminating. "At every stage," replied Professor Garicano, director of research in its management department, "someone was relying on somebody else and everyone thought they were doing the right thing." This revealing exchange goes to the heart of the problem: peer interaction is as capable of collective folly as of collective wisdom.

Peer interaction is, nevertheless, the institutional bedrock of the way economics, a self-governing system, produces its results. The QAA benchmark, for example, was simply entrusted to CHUDE, the Committee of Heads of Departments of Economics in the UK. The profession, thus, simply defined its own standards.

At one end of the scale, peer interaction – or slightly more specifically, peer review, simply requires an exchange of ideas, as when a referee comment is "taken into account". It may mean working to reach a consensus between equals, as in networks. It may be more rigorously applied to ensure compliance, as, for example, with health and safety inspections.

In academic economics, it means none of these things: it is a system of peer *ranking*: the approval of peers constitutes the agreed mark of quality. This approval is used to "rate" or rank the work of others. The difficulty is this: when theoretical difference arises, above all between paradigms, peer ranking does not distinguish disagreement from quality. There is a persistent pressure for an assessor to assign a low rating not because of quality, but simply because s/he disagrees with what is said.[3]

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[1] Alan Greenspan cited by Floyd Norris 'Greenspan's Lament', *New York Times* October 28th 2008.

[2] http://www.lse.ac.uk/collections/pressAndInformationOffice/staffStudentsAndAlumni/dailyHeadlines/06-11-08.htm

[3] For an extensive discussion of possible alternative peer-review systems, see Ietto-Gilles (2008a, 2008b)

This introduces an institutional danger which, if not explicitly guarded against, will prevail: the process of passing judgement is the same as that which selects the judges. An evolutionary selection mechanism is established. If those who share a certain viewpoint assign, to each other, higher quality ratings than those who disagree, the highest endowment of status will be attained by those who share the views of those who judge them. They will then, however, be disproportionately entrusted with the function of judgement. Those who dissent – the "heterodox" – will form a lower proportion of judges because they get lower rankings. A positive feedback loop is established, selecting on no other basis than approval by the representatives of the prevailing orthodoxy.

This would reinforce conformity to good practice, *if* the theories and practices prevailing are in fact correct. But when these theories are wrong and the practice destructive, the same process can only enforce conformity to error. This is what has happened. The current system of self-regulation has resulted in the peer-led imposition of systemic error. As John Kenneth Galbraith has remarked "in economics the majority is always wrong".

Producing bad economics by means of bad economics

Thus far, our argument only shows that selection for conformity is equally likely to produce systemic error as systemic validity. We should now turn therefore to the evidence, which shows that economics has in *fact* selected good theories over bad.

Actually, it is not true, as Simon Jenkins claims above, that "the entire profession" got it wrong. Dozens – precious few reported by Jenkins at the time – produced warning after warning. A selection from these many accurate analyses include Roubini,[4] Brenner (2002), Shiller (2006), Turner (2008), Pettifor (2006), Stiglitz (2008), and Wade (2009).

When these correct diagnoses are surveyed, a striking fact emerges: they are found almost entirely in the camp of heterodox economics. Some clarity is required: by "heterodox", we do not imply any organised or coherent current. We simply mean that orthodoxy did not accept what they said. Dissenting and superior analyses were not absent: they were not listened to.

Indeed, they were consciously disparaged and, tellingly, dismissed as unprofessional and of low quality. This is starkly illustrated by the "standard view" of academic economics in the UK as expressed by former president of the Royal Economic Society (RES) in his valedictory speech to its March 2008 AGM.

> Administrators, who may not have deep disciplinary backgrounds, nevertheless impose their own views rather than deferring to professional standards … We also often find deep distrust of 'orthodox, mainstream economic thought': a referee on another proposal said, '…despite the excellence of the partners' record within mainly economic science, they fail to include alternative, complementary or even competing approaches.' The proposal failed. Referees like these have regrettably been taken seriously. Mediocrity is rationalised on the grounds that it is hard for the 'heterodox' to publish in top journals.

The obvious response, given the outcome of the orthodox view, is that the humble administrator was absolutely right to fail the proposal. The tragedy is that the admirably pluralist criterion s/he applied is rejected by the profession itself. No clearer explanation for the current state of academic economics is required than. "Heterodoxy" – that is, asking questions or begging to differ – has been equated by Portes, who merely reflects the general view of the academic profession to "mediocrity". The simple and reasonable request for a

[4] The *New York Times* of 15 August 2008 [http://www.nytimes.com/2008/08/17/magazine/17pessimist-t.html?_r=1&ref=business] gives a resume of the clear warnings given by Roubini – and their disbelieving reception by the profession.

variety of approaches has been relegated to the sphere of uninformed bureaucratic interference.

The telling outcome is that, at the last conference of the RES, almost a year into the crisis, no more than a handful of papers referred to the crisis, and a proposal from the AHE for a session on pluralism, supported by CHUDE, did not even receive the courtesy of a reply.

Selecting for conformity: the peer ranking process in action

Our argument in summary is the peer ranking process, in economics, institutionalises a process of adverse selection. This is supported by the UK evidence, which requires us to digress into the impact of the Research Assessment Exercise (RAE), since this actually determines who is judged competent to teach economics, and how.

An important early study by Lee and Harley (1998:41) studied the relation between rating, university status, and the hiring of heterodox economists arising from the first RAE in 1992. They found a more or less inverse correlation between rating, and the hiring of heterodox economists. The RAE itself was making it difficult, if not impossible, for dissenting economists to be hired – within economics departments – in high-performing, high-funding, research-oriented departments.

Thus, the researchers found, in departments ranked 5 or 4, one economist hired in every seventy (1.4 per cent) was heterodox. In departments ranked 3, the proportion was 9.7 per cent, and in departments ranked 2, 14 out of 63 – 26 per cent. If heterodox research or teaching is merely assumed, as a Bayesian prior, equally likely to be valid as orthodox research or teaching, then there is a 98.6 per cent chance that the top-ranked institutions of the profession excluded knowledge and ideas that their students needed, if these students were to be equipped to become good economists.

The outcome was demonstrated in Lee's (2007) further study of the relation between RAE ratings and publication. The same pattern, unsurprisingly, was repeated – but now in the field of publication. This was the fruit of several factors, obviously: first heterodox staff were not being hired in the 5*/5/4 universities, and so there was simply nobody left to write heterodox papers.

This offers an almost laboratory-pure demonstration of the positive feedback process observed by Colander *et al*. Leading departments, having selected to remove or minimise the presence of dissenting, critical, or heterodox staff, secure the funding and status that permits them to dominate the field of publications. But naturally, since these departments no longer contain heterodox economists, their output consists of mainstream material.

Heterodox content in reputed publications – which set the "approved standard" – is reduced to a minimum. Those published in such journals achieve recognition and become the arbiters of quality, the "peers" who pass judgement on their heterodox colleagues. Closing the feedback loop, new students and researchers are firmly warned away from the career-threatening step of pursuing marginalized, heterodox topics, or publishing in journals other than "Diamond" publications geared up to treat conformity as the acid test of acceptability. The system has hermetically sealed itself against the intrusion of uncomfortable truths.

But this same process selects the teachers of the economists of tomorrow. Moreover, it selects what these same teachers are required to know and impart. The loop is closed. As Lee (2007) records:

> In the end, a paradigmatic homogenised discipline is a harrowing outcome of the RAE and QAA. Intellectual diversity, free inquiry and the principle that there is no humanly accessible truth that is not in principle open to challenge are indispensable to the achievement of the central purposes of a university.

The cause of systemic failure must be understood to grasp the remedy: it arises from the profession's natural predisposition to select for conformity in the absence of an effective external criterion of quality.

The regulatory capture of economics

If economics functioned, as it claims, as a kind of natural science, we ought to expect that our third criterion of quality – the test of objective evidence – should supervene, and overcome, any natural tendencies to error induced by the pressure for conformity. After all, this is what happens elsewhere. The question then arises: why is economic science different from any other science? The answer, we argue, lies in the unique material forces to which economics is subject – its actual insertion into society.

The peer-review system, within UK economics, has had an unintended consequence: it reinforces a "Gresham's law of economic theory" which selects and prioritises what is acceptable to powerful social forces on which the livelihood of economics professionals depend. In the absence of any codified professional standards – such as critical pluralism – the practitioner has no defence against their preferences.

Many professions offer significant safeguards. Not least, virtually all of them have codes of conduct, and contain clear commitments to pluralism.[5] Economics is unique, and isolated, in its rejection of any such commitment.

Moreover, and critically, most other professions have criteria of falsehood and truth which are amenable to external scrutiny. If an architect designs a bad house, this becomes apparent. If an engineer builds a bad bridge or railroad, the trains, buses and cars don't run and it does not take an expert to recognise it.

The difficulty in economics is, in a nutshell, that insofar as it is judged externally, this judgement is passed, not by those who endure its policies but by those who pay for them. "Systemic failure" is no more an accident in a profession than it was in the banking system. As explained in Freeman and Kliman (2009), it arises because economics, among the social sciences, is uniquely close to the making of policy, and in particular, the making of policy on which large fortunes depend.

The deformation involved is well-known to public choice theory and is known as "regulatory capture".[6] This occurs when lobbies, whose private interests are strongly affected by policy decisions, organise to impose regulatory decisions in their favour.

Economics has become, in effect, the greatest worldwide regulatory institution since the Mediaeval papacy. True, it does not directly intervene in decision-making process, or infrequently so. However, economics is the *language* of the process – of a world in which the vast bulk of political decisions are allocative, monetary, and phrased in economic terms. Economics provides the justifications in terms of which decisions are explained, and the criteria against which they are made.

It is therefore of enormous material consequence whether economic theory supports one or another approach to fiscal policy, bank regulation, trade policy, or wage and labour relations. Huge social conflicts in all these fields testify to the seriousness which protagonists attach to the judgements of economics.

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[5] The AHE has produced detailed documentary evidence of this in its submissions to both the QAA and RAE. See Freeman (2008)

[6] Thus Briody and Prenzler (1998), attribute regulatory capture to 'systemic capture' – the "procuration of an entire regulatory system by the regulated industry"

Institutions – from left to right – do not passively sit back and accept what academics have to say. They organise to influence it. The scale of this organisation is massive. With the possible exception of health, no other field of human knowledge is as populated by think-tanks and lobbying organisations, or is the beneficiary of such large quantities of goal-directed funding from organisations whose interests directly depend on the conclusions arrived at.[7] But unlike health economics possesses no code of conduct, no ethical prescription, and offers its practitioners no defence, against the pressures to which they are subpected.

Selecting for conformity does not select for quality of output if it merely restates, in academic form, the prejudice of those on whom the economists' livelihood depends. Instead, it penalises the single most important antidote to prejudice: the ability to think critically, independently, and above all, differently.

The corrective begins with the economists of tomorrow: namely, the students of today. It begins with an appropriate benchmark for teaching. This should not re-enforce, but mitigate, all the tendencies that lead the reproduction of conformity under the mistaken label of quality.

The "good economist" of the future must do the diametric opposite of what her or his teachers have done. She or he must accept, entertain, and encourage difference and controversy; jettisoning the simple repetition of canon or doctrine in favour of critical independence which challenges and questions all received wisdom.

Such capacities will develop only if the starting point is a recognition which economics has yet to achieve – that it contains more than one approach, more than one theory, and more than one proposed solution, to every problem it faces. Pluralism is the recognition of this fact.

Who regulates the regulators?

At the heart of this entire conundrum lies a real contradiction. A possible choice in the UK would be to abandon regulation and return to the "Austrian" system that still predominates in the US – a nominal "free competition of theories". Such a solution, however, does not alleviate the profession's inbuilt tendencies, because these arise from its material insertion into society.

Another choice is enhanced regulation from the outside. But this is subject to enormous risk, since the function of economics is itself regulatory. If it is regulated by those it regulates, this can only increase adverse selection pressures to which it is already subject.

The solution to this conundrum lies, we argue, in a systematic rethinking of the relation between the economist and society. The problem is not just the (very wrong) consensus which economics has produced, but the very fact that it has produced a consensus at all.

Every economic event is historically unique, no matter how many elements of the past it repeats or reflects. A good economist should constantly expect to be surprised. Consequently, it is absurd to expect that a single, sumative canon of knowledge will ever suffice to grapple with real economic processes. The entire project of a definitive "body of economic knowledge" is profoundly misconceived. Only equipped with an entire range of theories and understandings, and the proven ability to select, adapt, and critically interrogate all existing theory, can the economist hope to confront each juncture with the fresh mind required to understand it. This is the rational basis for pluralism.

[7] See Desai, R. (1995)

What is pluralism?

Pluralism draws on a lost economic tradition: controversy. The fertile currents which renew it flow both from the theoretical legacy of economic thought, and from the new and creative ideas, on such issues as feminist economics, sustainable economics, cultural economics, behavioural economics, financialisation, new trade theory and new labour market theory, which have emerged over the past forty years. Such thinking has matured, gaining vitality and confidence, in proportion to its marginalisation by the mainstream.

Pluralism's sweep extends to the beginning of economics, including both thinkers once lionised and since discarded, and also numerous thinkers whose ideas were rejected before being claimed as seminal.[8] Its includes intellectual giants, in a spectrum from left to right, whose work even when invoked is cited with zero regard for what was actually said, and including, for example, Friedrich Hayek, John Maynard Keynes, Rosa Luxemburg, Karl Marx, Carl Menger, Hyman Minsky, Karl Polanyi, Joseph Schumpeter, and Thorstein Veblen.[9]

Its early voices include the 44 economists, including 4 Rijksbank Nobel Laureates, who signed the 1992 declaration in support of pluralism reproduced at the end of this paper.[10] It honours the French students who initiated the post-Autistic Economics movement (now publishing as the *Real World Economics Review*)[11] provoking a reconsideration of economics teaching in France yet to be heeded north of the channel. It pays careful attention to the criticisms voiced by anti-globalisation movement, many of which are now, belatedly, securing the recognition they deserve.

The growing vitality of pluralism in economics, and the basic principles that inform it, proves that superior alternatives to present orthodoxy are to be found. How are these alternatives to be placed at the disposal of tomorrow's economists? Not, we insist, by replacing the present canon with any one of them. Economics over the decades has become used to the idea that progress consists simply of replacing one canon with another. Pluralism is a break with the entire conception that the state of economic knowledge at any given time may be encompassed in a single canon, doctrine, or dogma. It defines economics – in line with the other social sciences – as the co-existence of multiple theories, none of which is taken to be definitively true or false until, and unless, the evidence has accumulated to prove or disprove it.

Pluralism is also pedagogically desirable – it is, however, far more than a useful pedagogic or didactic device: it is a regulatory response to the systemic failure of economics. It is, I argue, what is required to ensure that such a failure will not happen again in our lifetimes.

Critical pluralism: a definition, and some misconceptions

A frequent misconception is that pluralism is an attempt to replace orthodoxy by "heterodoxy". A second is relativism – the idea that pluralism means "anything goes". In this paper we accept neither view.

Let us begin with the first idea. Suppose the present orthodoxy was replaced in its entirety by, say, "Keynesianism". Pluralism will still have failed. If this new view is promoted and taught

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[8] See for example Gans and Shepherd (1994)

[9] The bibliography contains a number of critical sources for pluralistic and heterodox approaches, which however makes no claim to be exhaustive

[10] Hodgson, Mäki and McCLoskey (1992)

[11] http://www.paecon.net/ and the PAE students original appeal.

as “correct” economics, the only change is that the high rankings once awarded to theorists of efficient markets, will now be awarded to those most capable of posing as “Keynesians”.

Good – critical pluralist – economics does not consist in reproducing any one theory, but in understanding all of them, and making judgements based on empirical evidence between them. Good education consists in ensuring that students are equipped to do these things.

Pluralism, from this standpoint, goes hand in hand with critical thinking. This consists in understand not just what a theory predicts or says, but what it presupposes – the premises on which it rests. We may give two examples of this important point. First, consider the newly-discovered concept of “systemic risk”, which has downgraded so many market instruments overnight. A downgrading of every debt instrument, as opposed to a relative regrading of some debt instruments, is only possible if what is being judged is the viability of the market mechanism for allocating credit itself.

A belief in the inviolability, the impossibility of failure, in the market for credit, has become an implicit assumption in financial theory. Yet it was, always, only an assumption. The possibility that circumstances might arise in which it was not a valid assumption had to be considered. To be competent to undertake such questioning, competent researchers need to be familiar with the thinking of everyone who rejected the idea of disruption-free coordination.

This includes not only Marx with his highly-developed, and still startlingly relevant, account of capitalist crisis but Schumpeter with his notion of creative destruction, and Keynes with his vigorous critique of Say’s Law. Not least, it includes the Austrians themselves, whose core proposition is not the Walrasian assumption that the market functions free from disruption, but that no superior mechanism exists.

To take a second example: mainstream approaches to financial markets, until very recently, depended on the idea that financial markets behave like commodity markets. This concealed presupposition was revealed with newly rediscovered practice of “quantitative easing”, which contradicts all received opinion about credit markets. The quantities of credit supplied to the market ceased to respond to the interest rate, exactly as predicted by Keynes’ allegedly defunct notion of liquidity preference.

A pluralist and critical approach to education would have provided the present generation of economists with an understanding of, and the ability to apply, theorise of self-induced market failure. They would have recognised the relevance of the theory of liquidity preference, as originally developed by Keynes and not in the bowdlerised “bastard Keynesian” form regurgitated in economics courses in Keynes’ name. Students would have learned, this despite the fact that the mainstream claimed to have superseded it. They would not have been sent with Alan Greenspan into a “state of shocked disbelief” to discover that foolish bank lending and inflated asset values have damaged the financial system.

Students trained pluralistically would have understood the lessons of a stage of history thought to be past, which has now recurred. They would have dusted off the textbooks from their economic history course to recognise the approaching signals of the credit crunch. They would have recollected the warnings of the Galbraiths and the Minskys, and the lessons that Keynes brought to the analysis of the 1929 recession, and realised that received opinions on the role of the banks and the state would have to be set aside in the face of “systemic failure” – that is, in circumstances in which the presupposed conditions of standard theory cease to apply.

They were not so educated, and they did not see what was coming. They were not equipped to anticipate the crisis; when it came, they were not equipped to understand it; and when they began to understand it, they were not equipped to deal with it.

Why benchmark for pluralism?

We now turn to the second misconception of pluralism: that it is an excuse for laxity in which all safeguards of quality are abandoned. Pluralism in the view of this paper, is not a substitute for a standard. It *is* a standard, and an extremely tough one, with which precious little modern economics complies.

Pluralism does not assert that there is no such thing as truth or falsehood. It does state, however, that the ultimate test of theory is evidence. The purpose of research is to make judgements about what is true, and the purpose of education is to equip students to make such judgements These judgements may not be made in *advance* of conducting empirical tests. It is not given to the economist, or the scientist, to know as yet whether the present crisis is best understood using the approach of Friedman, Marx, Keynes, Schumpeter, Veblen or for that matter, Krugman or Stiglitz. Therefore, the competent economist must be sufficiently familiar with the basic ideas of all these writers, to be able to conduct and judge rigorous tests of all of them, without prior prejudice, against the evidence.

This is generally true of science, as Fullbrook (2001, 2005, 2008) has accurately observed, drawing on a wealth of work in the philosophy of science to this effect. At any given time, the state of knowledge of any given subject contains a variety of contesting theories. Scientific competence does not consist in reproducing one particular idea or way of thinking, but in comprehending, and critically evaluating, which of these contesting ideas actually explains the observable facts best.

This, it is recognised in the literature on pluralism, is a basic tenet of scientific practice from which economics – alone among the social sciences – has departed. This absence of pluralism is wrong because, in a nutshell, it produces bad economics. If economics is to be reformed sufficiently to make it fit for purpose, it will be insufficient to treat critical pluralism as an optional extra – it will be necessary to impose it..

It is not a simple matter to overturn the institutionally-entrenched habits of forty years. It is precisely because the reaction of economics to this crisis constitutes a dereliction of duty, that it will be exceptionally hard to elicit a recognition of this fact. The banks' reluctance to accept regulation is mirrored in the intellectual sphere by the reticence of economics to accept pluralism.

We should hence discard any notion that pluralism constitutes a simple abandonment of professional standards. To the contrary it is far more *difficult* – but also far more necessary – to understand, and represent fairly. a point of view with which one disagrees, than simply to repeat one's own beliefs, or worse still the beliefs of one's teachers or reviewers.

Ginger Rogers once remarked that she had to do everything Fred Astaire did, but backwards and in high heels. Heterodox economists do the same. They not only pursue their own preferred line of thought, but reproduce and understand the orthodox line as well. Those who have taken the easy road suffer no such constraints. Intellectual laxity and smugness are the province of those whose career has been purchased for the price of conformity – of those who have only ever studied one way to do anything.

Pluralism is needed for a second reason: to produce good students of economics. A generation of practicing economists has emerged from our educational institutions ignorant of precisely the ideas required to deal with present circumstances. Post-2008 society needs students who – unlike their teachers – will not repeat the mistakes that led to 2008.

Pluralism does not, equally, reduce or equate to "synthesis" or "inclusion". The measure of a pluralist approach is not the tokenistic addition of isolated insights from feminism, ecology, psychology, from Keynes portrayed as banker, Marx painted as sociologist or Hayek as some kind of behavioural psychologist. It is the systematic deployment of *controversy* as a means of understanding and educating.

This idea is the most direct and complete possible reversal of the present situation in which conformity has become the highest criterion of excellence. What might a pluralist benchmarking system look like?

Pluralist assessment

An important achievement of the original, non-subject-based Quality Assurance (QA) process was to instil, in educators, the need to join up dots: to trace the links required between what the students were expected to do, how the university assessed whether they could do it, what the university taught them, and what resources it provided in order to carry out this teaching.

This lesson remains perfectly valid for a pluralist benchmark. To understand how pluralist benchmarking might work, we must consider the matter from the perspective of the student. Benchmarking is an instrument for getting an answer to the question "are our institutions fit for purpose?" – can they provide students with the skills and competence they require to engage in pluralistic practice?

What constitutes a competent student? To be a competent practitioner? What constituted a competent practitioner? In our view, one who practically demonstrates critical pluralism. Let us therefore trace the chain of logical links backward from this desired output competence, to ascertain the type of institutions we need to deliver it. We begin, as the QAA always does, at the beginning – assessment.

A pluralism benchmark would assess students' capacity for critical and pluralistic reasoning. It would define excellence not as the ability to reproduce or conform to a canon, but as the capacity to think outside it. It would test not just knowledge of what the experts and their teachers have to say, but their understanding of what their opponents also say.

Competence in economics is, in short, the capacity to think originally and independently. This requires students to be cognisant of, and indeed familiar with, the variety of theories applicable to any chosen field of empirical study. They need to understand what these theories presuppose, and subject these presuppositions – not just their immediate predictions – to the empirical test of evidence. Finally, they must be demonstrate the capacity to make independent judgements between theories on this basis.

Pluralist teaching

Following through on QA logic, outcome provides the key to assessment, and assessment provides the key to teaching. Hence, pluralist teaching is precisely that which can ensure students are able to pass pluralist assessments. Such students cannot just be exposed to neoclassical thinking. Importantly – to clear up a further misconception – neither will it suffice to expose them to some "synthesis" of neoclassical thinking with the allegedly heterodox dissenting ideas that are generally tacked onto the a standard semester course at lecture 13. It would introduce students from day one to the idea of controversy and debate.

To take one example, consider the standard microeconomic theory of supply and demand. Objections and alternatives to that theory come from many quarters: from all critics of Say's Law such as Marx and Keynes; from the conception of "monopolistic competition" developed by Joan Robinson – a *sine qua non*, it should be said in passing, for understanding the growing market in cultural products – from studies of particular markets that do not comply with the theory of perfect competition, such as labour markets as analysed by Cord, Krueger, and Manning,[12] from Kaleckian theories of price formation, from feminist economics, and so on.

To take a second example, they would understand not just Ricardo's theory of comparative advantage, but, from week one of any trade course deemed fit for purpose, why this theory with its empirically dubious basis, was theoretically challenged from the dawn of development theory, by virtually the entire anti-colonial movement of the interwar period, by well-established theorists from Arthur Lewis to Prebisch and Singer, through the "development school" through to modern anti-globalisation theory, and why the entire alternative tradition that Reinert terms the "other canon" held sway in many parts of the world and at many points in history.

This would nether turn out students who were automatically supportive of, or automatically dismissive of, the theory of perfect competition, or orthodox trade theory. It would not turn out clones of any "defunct economist". It would turn out students who could make up their own minds.

It would also turn out students who would understand Ricardo's theory far better than those trained simply to reproduce its mathematical basis, logically beautiful though this is – because they would understand not merely what Ricardo was arguing in favour of, but what he was arguing against; and they would understand in turn the assaults on Ricardo made since that time, and the responses of its defenders.

It is for this reason that we cannot accept one of the early responses that we have received for our criticisms of the QAA subject benchmark – that heterodox economists were included on the panel which drew up the subject, so that heterodox "input" has been included.

Inclusion is not the same as debate. When the 2007 QAA subject benchmark blandly asserts that "analysis is both static…and dynamic" this is not merely insufficient, but plain wrong. Written to include, it actually excludes, since it denies controversy. The history of economic thought has been marked by furious conflict between dynamic and static approaches: between the non-equilibrium approaches associated with Keynes, Marx, and the Austrian economists, and the comparative static approach introduced by Walras and synthesised by Marshall, which now dominates. To represent economic ideas as some kind of "balanced mix" of such irreconcilable outlooks is, as Böhm-Bawerk himself state, a "mortal sin against logic". The decisive issue is that these outlooks are in conflict with each other. To understand what either of them consists of, the student must first and foremost understand, not what they have in common, but why they are incapable of agreeing.

Pluralist institutions

Once we understand the kind of students required, and the kind of courses that can produce such students, the kind of educational institution required becomes obvious. It is, unfortunately, the opposite of the kind of institution that the benchmarking exercises of both the RAE and the QAA have actually produced.

A pluralist teaching institution – that is to say, an institution capable of producing good economists – should be assessed and judged fit simply on the *range* of ideas they offer. Can they teach pluralist courses, and can they turn out pluralist students? The most obvious starting point is their staff, their learning resources, and their curricula. Do they recruit, and offer, a range of educators, a range of courses and ideas, and a range of teaching materials, which provide their students with access to the variety of theories that they need to reach good

[12] See Cord and Krueger (2001), Manning (2003)

judgements? Do their lecturers and researchers – including their mainstream teachers and researchers – possess expertise, as revealed by their publication record, of heterodox theories, of methodology, of the history of thought?

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